

SOUTH CENTRAL IOWA LANDFILL AGENCY

**Independent Auditor's Reports
Basic Financial Statements and
Supplementary Information
Schedule of Findings**

June 30, 2019



**Shull, Schrum, McClafflin
& Co., Inc.**
certified public accountants

SOUTH CENTRAL IOWA LANDFILL AGENCY

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SOUTH CENTRAL IOWA LANDFILL AGENCY

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
	After January 2019	
Kelley Brown	Chairperson	City of Winterset
Diane Fitch	Vice Chairperson	Madison County
Joe Gezel	Board member	City of Indianola
Jerry Bussanmas	Board member	City of Bevington
Ryan Waller	Board member	City of Indianola



Shull, Schrum, McClaflin & Co., Inc.

certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of South Central Iowa Landfill Agency:

Report on the Financial Statements

We have audited the accompanying statements of net position and the related statements of revenues, expenses and changes in net position and cash flows of South Central Iowa Landfill Agency as of and for the years ended June 30, 2019 and 2018, and the related notes to financial statements which collectively comprise the South Central Iowa Landfill Agency's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Central Iowa Landfill Agency as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions information on pages 6 through 10 and pages 32 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise South Central Iowa Landfill Agency's basic financial statements. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2020 on our consideration of the South Central Iowa Landfill Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the South Central Iowa Landfill Agency's internal control over financial reporting and compliance.

Shull, Schrum, McClellan & Co., Inc.

March 9, 2020

SOUTH CENTRAL IOWA LANDFILL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

South Central Iowa Landfill Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Agency's operating revenues increased approximately 3%, or \$39,200 from fiscal 2018 to fiscal 2019. The increase in gate fees as a result of accepting more refuse was the primary reason for the overall increase in operating revenues.
- The Agency's operating expenses were approximately 60%, or \$747,936, more in fiscal 2019 than in fiscal 2018. An increase in the amount amortized for closure/postclosure care expenses and increased repairs and maintenance were mainly responsible for the increase in operating expenses.
- The Agency's net position decreased \$505,206 from June 30, 2018 to June 30, 2019.

USING THIS ANNUAL REPORT

The South Central Iowa Landfill Agency is a 28E organization that is presented as a single enterprise fund and prepares its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to South Central Iowa Landfill Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Position presents information on the Agency's assets and deferred outflows of resources less the Agency's liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

SOUTH CENTRAL IOWA LANDFILL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2019

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Agency's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. The Agency's net position at the end of fiscal 2019 totaled \$3,148,323. This compares to \$3,653,529 at the end of fiscal 2018. A summary of the Agency's net position is presented below.

	Net Position		
	2019	2018	2017
Current assets	\$ 348,462	805,616	607,457
Restricted investments	3,440,698	3,175,452	2,788,354
Capital assets at cost, less accumulated depreciation	2,071,380	1,808,696	2,085,191
Total assets	<u>5,860,540</u>	<u>5,789,764</u>	<u>5,481,002</u>
Deferred outflows of resources	<u>51,602</u>	<u>95,025</u>	<u>60,176</u>
Current liabilities	130,709	93,701	80,492
Noncurrent liabilities	2,624,850	2,110,863	1,995,832
Total liabilities	<u>2,755,559</u>	<u>2,204,564</u>	<u>2,076,324</u>
Deferred inflows of resources	<u>8,260</u>	<u>26,696</u>	<u>6,612</u>
Net Position:			
Investment in capital assets	2,071,380	1,808,696	2,085,191
Restricted	980,788	1,237,380	949,374
Unrestricted	96,155	607,453	423,677
Total net position	<u>\$ 3,148,323</u>	<u>3,653,529</u>	<u>3,458,242</u>

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2019

The unrestricted portion of net position (3%) may be used to meet the Agency's obligations as they come due. The investment in capital assets (e.g., land, buildings and equipment) (66%) are resources allocated to capital assets. The remaining \$980,788 of the Agency's net position is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure.

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for gate fees from accepting solid waste and member per capita assessments. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are primarily interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2019, 2018 and 2017 is presented below:

	Changes in Net Position		
	2019	2018	2017
Operating revenues:			
Gate fees	\$ 1,431,605	1,392,104	1,200,283
Member per capita assessments	-	-	50,000
Late charges	2,269	2,570	511
Total operating revenues	<u>1,433,874</u>	<u>1,394,674</u>	<u>1,250,794</u>
Operating expenses:			
Personnel	309,940	310,384	293,735
Equipment operation and property maintenance	566,909	267,971	323,325
Depreciation	348,172	346,497	301,483
Engineering	63,475	53,367	41,526
Tonnage fees	158,253	146,929	133,875
Closure and postclosure care	521,838	99,092	325,980
Office and general	25,859	22,270	22,129
Total operating expenses	<u>1,994,446</u>	<u>1,246,510</u>	<u>1,442,053</u>
Operating income (loss)	<u>(560,572)</u>	<u>148,164</u>	<u>(191,259)</u>
Nonoperating revenues:			
Interest income	46,710	38,250	32,479
Miscellaneous	8,656	8,873	843
Change in net position	<u>(505,206)</u>	<u>195,287</u>	<u>(157,937)</u>
Net position beginning of year	<u>3,653,529</u>	<u>3,458,242</u>	<u>3,616,179</u>
Net position end of year	<u>\$ 3,148,323</u>	<u>3,653,529</u>	<u>3,458,242</u>

SOUTH CENTRAL IOWA LANDFILL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2019

In fiscal year 2019, operating revenues increased by \$39,200, or approximately 3%, primarily a result of gate fees increasing as compared to the previous year due to an increase in the volume of refuse accepted. Operating expenses increased by \$747,936, or approximately 60%. Increases in recognized amounts of closure/postclosure care expenses and repair and maintenance costs were responsible for the increase in operating expenses.

In fiscal year 2018, operating revenues increased by \$143,880, or approximately 11%, primarily a result of gate fees increasing as compared to the previous year due to an increase in the volume of refuse accepted. Operating expenses decreased by \$195,543, or approximately 14%. Decreases in recognized amounts of depreciation and closure/postclosure care expenses and repair and maintenance costs were responsible for the decrease in operating expenses.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase of capital assets. Cash used by investing activities includes cash deposited to restricted accounts and interest income.

CAPITAL ASSETS

At June 30, 2019, the Agency had \$2,071,380 invested in capital assets, net of accumulated depreciation of \$4,362,898. Depreciation charges totaled \$348,712 for fiscal 2019. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

Additional information about the Agency's long-term debt at June 30, 2019 is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

South Central Iowa Landfill Agency maintained its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities and equipment at the Agency require constant maintenance and upkeep.

SOUTH CENTRAL IOWA LANDFILL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2019

- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact South Central Iowa Landfill Agency, 2496 Highway 92, Winterset, IA 50273.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Exhibit A

Statements of Net Position June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 142,840	643,693
Accounts receivable	189,379	148,358
Accrued interest receivable	6,470	3,623
Prepaid insurance	9,773	9,942
Total current assets	<u>348,462</u>	<u>805,616</u>
Noncurrent assets		
Restricted investments		
Cash and cash equivalents	337,336	231,316
Investments, including certificates of deposit of \$2,916,103 (2018 - \$2,652,623)	<u>3,103,362</u>	<u>2,944,136</u>
	<u>3,440,698</u>	<u>3,175,452</u>
Capital assets, net of accumulated depreciation	<u>2,071,380</u>	<u>1,808,696</u>
Total noncurrent assets	<u>5,512,078</u>	<u>4,984,148</u>
Total assets	<u>5,860,540</u>	<u>5,789,764</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>51,602</u>	<u>95,025</u>

See accompanying notes to financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Schedule of Agency Contributions

Iowa Public Employees' Retirement System For the Last 10 Fiscal Years

Required Supplementary Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 18,570	17,494	17,291	15,972
Contributions in relation to the statutorily required contribution	<u>(18,570)</u>	<u>(17,494)</u>	<u>(17,291)</u>	<u>(15,972)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Agency's covered-employee payroll	\$ 196,721	195,895	193,626	178,859
Contributions as a percentage of covered-employee payroll	9.44%	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

Exhibit A
(Continued)

	2019	2018
LIABILITIES		
Current liabilities		
Accounts payable	\$ 92,897	54,941
Accrued wages and benefits payable	7,445	7,933
Compensated absences	30,367	30,827
Total current liabilities	<u>130,709</u>	<u>93,701</u>
Noncurrent liabilities		
Accrued closure and postclosure care	2,459,910	1,938,072
Net pension liability	164,940	172,791
Total noncurrent liabilities	<u>2,624,850</u>	<u>2,110,863</u>
Total liabilities	<u>2,755,559</u>	<u>2,204,564</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	<u>8,260</u>	<u>26,696</u>
NET POSITION		
Investment in capital assets	2,071,380	1,808,696
Restricted for closure and postclosure care	980,788	1,237,380
Unrestricted	96,155	607,453
Total net position	<u>\$ 3,148,323</u>	<u>3,653,529</u>

SOUTH CENTRAL IOWA LANDFILL AGENCY

Exhibit B

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenues		
Gate fees	\$ 1,431,605	1,392,104
Late charges	2,269	2,570
Total operating revenues	<u>1,433,874</u>	<u>1,394,674</u>
Operating expenses		
Personnel	309,940	310,384
Equipment operation and property maintenance	566,909	267,971
Depreciation	348,172	346,497
Engineering	63,475	53,367
Tonnage fees	158,253	146,929
Closure and postclosure care	521,838	99,092
Office and general	25,859	22,270
Total operating expenses	<u>1,994,446</u>	<u>1,246,510</u>
Operating income (loss)	<u>(560,572)</u>	<u>148,164</u>
Nonoperating revenues		
Interest income	46,710	38,250
Miscellaneous	8,656	8,873
Total nonoperating revenues	<u>55,366</u>	<u>47,123</u>
Change in net position	(505,206)	195,287
Net position beginning of year	<u>3,653,529</u>	<u>3,458,242</u>
Net position end of year	<u>\$ 3,148,323</u>	<u>3,653,529</u>

See accompanying notes to financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Exhibit C

Statements of Cash Flows Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,392,853	1,378,856
Cash paid to suppliers for goods and services	(776,371)	(485,867)
Cash paid to employees for services	(293,752)	(300,363)
Net cash provided by operating activities	<u>322,730</u>	<u>592,626</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(610,856)	(70,003)
Net cash used by capital and related financing activities	<u>(610,856)</u>	<u>(70,003)</u>
Cash flows from investing activities:		
Purchases of investments	(259,226)	(698,993)
Maturities of investments	100,000	430,811
Interest income received	43,863	38,049
Miscellaneous revenue received	8,656	8,873
Net cash used by investing activities	<u>(106,707)</u>	<u>(221,260)</u>
Net increase (decrease) in cash and cash equivalents	(394,833)	301,363
Cash and cash equivalents, beginning of year	875,009	573,646
Cash and cash equivalents, end of year	<u>\$ 480,176</u>	<u>875,009</u>
Cash and cash equivalents	\$ 142,840	643,693
Restricted cash and cash equivalents	<u>337,336</u>	<u>231,316</u>
	<u>\$ 480,176</u>	<u>875,009</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (560,572)	148,164
Adjustments		
Depreciation	348,172	346,497
Increase in accounts receivable	(41,021)	(15,818)
Decrease in prepaid insurance	169	308
Increase in accounts payable	37,956	4,362
Increase (decrease) in accrued wages and benefits payable	(488)	1,661
Increase (decrease) in compensated absences	(460)	7,186
Increase (decrease) in net pension liability	(7,851)	15,939
Decrease (increase) in deferred outflows of resources	43,423	(34,849)
Increase (decrease) in deferred inflows of resources	(18,436)	20,084
Increase in accrued closure and postclosure care	521,838	99,092
Net cash provided by operating activities	<u>\$ 322,730</u>	<u>592,626</u>

See accompanying notes to financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Central Iowa Landfill Agency (the "Agency") was formed in 1980 by the City of Winterset, Iowa, Madison County, Iowa and the City of Indianola, Iowa pursuant to the powers granted by Chapters 28E and 28F of the Code of Iowa of 1979, as amended. The entities forming the Agency made initial capital contributions and sold general obligation bonds to finance the Agency. The Agency subsequently repaid the bonds in full and agreed to return the capital contributions. The purpose of the Agency is to operate, manage, maintain, and control the solid waste disposal facilities for solid waste produced and generated within Madison County, and the cities of Winterset and Indianola, Iowa.

The governing board membership consists of a representative of the governing body of each participant governmental jurisdiction and two individuals selected by the representatives of the other participating governments.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

- A. Reporting Entity - For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. South Central Iowa Landfill Agency has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Presentation - The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

The Statement of Net Position presents the South Central Iowa Landfill Agency's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Investment in capital assets consists of capital assets, net of accumulated depreciation/amortization.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

- C. Measurement Focus and Basis of Accounting - The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

- D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position - The following accounting policies are followed in preparing the Statement of Net Position:

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Cash, Cash Equivalents and Investments - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2019 include certificates of deposit of \$2,916,103.

Restricted Investments - Funds set aside for payment of closure and postclosure care costs are classified as restricted.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land and land improvements	\$ 25,000
Buildings and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the Agency are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Land and land improvements	10 - 50
Buildings and improvements	10 - 40
Equipment and vehicles	5 - 10

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future year(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2019.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on IPERS investments.

2. CASH AND INVESTMENTS

The Agency's deposits at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

2. CASH AND INVESTMENTS (CONTINUED)

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had the following investments at June 30:

	2019	
	Carrying Amount	Market Value
U.S. agency bonds	\$ 193,279	198,745
Certificates of Deposit	2,910,083	2,910,083
	<u>\$ 3,103,362</u>	<u>3,108,828</u>

	2018	
	Carrying Amount	Market Value
U.S. agency bonds	\$ 291,512	296,870
Certificates of Deposit	2,652,623	2,652,623
	<u>\$ 2,944,135</u>	<u>2,949,493</u>

The Agency's uses the fair value hierarchy established by generally accepted accounting principles on the valuation used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The fair value of the U.S. agency bonds was determined using quoted market rates. (Level 1 inputs)

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

3. CAPITAL ASSETS

A summary of capital assets at June 30, 2019 is as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Capital assets being depreciated:				
Land and land improvements	\$ 534,141	-	-	534,141
Buildings and improvements	2,845,472	545,654	-	3,391,126
Equipment	2,443,809	65,202	-	2,509,011
Total capital assets being depreciated	<u>5,823,422</u>	<u>610,856</u>	<u>-</u>	<u>6,434,278</u>
Less accumulated depreciation for:				
Land and improvements	164,580	6,330	-	170,910
Buildings and improvements	1,744,415	209,728	-	1,954,143
Equipment	2,105,731	132,114	-	2,237,845
Total accumulated depreciation	<u>4,014,726</u>	<u>348,172</u>	<u>-</u>	<u>4,362,898</u>
Total capital assets, net	<u>\$1,808,696</u>	<u>262,684</u>	<u>-</u>	<u>2,071,380</u>

A summary of capital assets at June 30, 2018 is as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Capital assets being depreciated:				
Land and land improvements	\$ 534,141	-	-	534,141
Buildings and improvements	2,824,343	21,129	-	2,845,472
Equipment	2,403,193	48,873	8,257	2,443,809
Total capital assets being depreciated	<u>5,761,677</u>	<u>70,002</u>	<u>8,257</u>	<u>5,823,422</u>
Less accumulated depreciation for:				
Land and improvements	158,250	6,330	-	164,580
Buildings and improvements	1,551,901	192,514	-	1,744,415
Equipment	1,966,335	147,653	8,257	2,105,731
Total accumulated depreciation	<u>3,676,486</u>	<u>346,497</u>	<u>8,257</u>	<u>4,014,726</u>
Total capital assets, net	<u>\$2,085,191</u>	<u>(276,495)</u>	<u>-</u>	<u>1,808,696</u>

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

4. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Beginning of Year	Increases	Decreases	End of Year	Due Within One Year
Compensated absences	\$ 30,827	30,367	30,827	30,367	30,367
Accrued closure and postclosure care	1,938,072	521,838	-	2,459,910	-
Net pension liability	172,791	-	7,851	164,940	-
Total	<u>\$ 2,141,690</u>	<u>552,205</u>	<u>38,678</u>	<u>2,655,217</u>	<u>30,367</u>

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Beginning of Year	Increases	Decreases	End of Year	Due Within One Year
Compensated absences	\$ 23,641	30,827	23,641	30,827	30,827
Accrued closure and postclosure care	1,838,980	99,092	-	1,938,072	-
Net pension liability	156,852	15,939	-	172,791	-
Total	<u>\$ 2,019,473</u>	<u>145,858</u>	<u>23,641</u>	<u>2,141,690</u>	<u>30,827</u>

5. PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

5. PENSION PLAN (CONTINUED)

entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

5. PENSION PLAN (CONTINUED)

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Agency contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Agency's contributions to IPERS for the year ended June 30, 2019 and June 30, 2018 totaled \$18,570 and \$17,494, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the Agency reported a liability of \$164,940 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the Agency's proportion was 0.002607% which was an increase of 0.000013% from its proportion measured as of June 30, 2017.

For the years ended June 30, 2019 and 2018, the Agency recognized pension expense of \$35,925 and \$18,583, respectively. For the year ended June 30, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 904	3,728
Changes of assumptions	23,530	-
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	8,598	-
Net difference between projected and actual earnings on pension plan investments	-	4,532
Agency contributions subsequent to the measurement date	18,570	-
Total	<u>\$ 51,602</u>	<u>8,260</u>

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

5. PENSION PLAN (CONTINUED)

\$18,570 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 16,074
2021	8,385
2022	141
2023	292
2024	(120)
	<u>\$ 24,772</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation
Wage Growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and .65% real wage inflation

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 30, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

5. PENSION PLAN (CONTINUED)

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	27%	1.97%
Domestic Equity	22	6.01
International Equity	15	6.48
Private Equity	11	10.81
Private Real Assets	7.5	4.14
Public Credit	3.5	3.93
Private Credit	3	3.11
Public Real Assets	7	2.91
Global Smart Beta Equity	3	6.23
Cash	1	(0.25)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

5. PENSION PLAN (CONTINUED)

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Agency's proportionate share of the net pension liability	\$279,936	\$164,940	\$68,475

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

6. RETIREMENT BENEFITS

Effective July 1, 2000 the Agency established a deferred compensation plan covering all full-time employees. The plan provides the Agency will match up to \$30 per month of eligible employee contributions. Agency contributions to the plan for the year ended June 30, 2019 were \$780 (2018 - \$780).

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The Agency operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees and their families, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The Agency currently finances the benefit plan on a pay-as-you-go basis. The most recent average monthly premiums for the Agency are \$706 for a single coverage plan and \$2,055 for a family coverage plan. For the year ended June 30, 2019, the Agency contributed \$36,499 and plan members eligible for coverage contributed approximately \$1,977 to the plan and there were no retiree participants in the plan. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefit – Individuals who are employed by the Agency and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit subsidy.

Using a small employer alternative method, the Agency's Net OPEB liability is currently estimated to be zero.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Retiree participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefits terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>2</u>
Total	<u><u>2</u></u>

Additionally, the Agency currently provides coverage to one employee over age 65 by subsidizing supplemental Medicare coverage outside of the Agency group medical policy.

8. CLOSURE AND POSTCLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and closure/postclosure plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period.

The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Government Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

8. CLOSURE AND POSTCLOSURE CARE COSTS (CONTINUED)

These costs for the Agency have been estimated at \$3,364,300 for closure and \$1,215,000 for postclosure care for a total of \$4,579,300 as of June 30, 2019 and the portion of the liability that has been recognized is \$2,459,910. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2019. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the horizontal expansion is 8.8 years. The capacity used at June 30, 2019 in the original landfill is 100% and the horizontal expansion is approximately 59.2%.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun accumulating resources to fund these costs and, at June 30, 2019, assets of \$3,440,698 are restricted for these purposes, of which \$2,511,710 is for closure and \$928,988 is for postclosure care. They are reported as restricted investments in the Statement of Net Position. Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:
$$NP = \frac{CE - CB}{Y}$$

NP = next payment
CE = total required financial assurance
CB = current balance of the fund
Y = number years remaining in the pay-in period

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

8. CLOSURE AND POSTCLOSURE CARE COSTS (CONTINUED)

Chapter 567-113.14(8) of the IAC allows the Agency to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

9. SOLID WASTE TONNAGE FEES RETAINED

The Agency has established an account for restricting and using those portions of solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2019, there were no unspent amounts retained by the Agency and restricted for the required purposes.

10. LOCAL GOVERNMENT RISK POOL

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

10. LOCAL GOVERNMENT RISK POOL (CONTINUED)

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2019 were \$23,624 (2018 - \$24,745).

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Agency's risk-sharing certificate, or in the event that a series of casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims and losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2019, no liability has been recorded in the Agency's financial statements. As of June 30, 2019, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued June 30, 2019 and 2018

10. LOCAL GOVERNMENT RISK POOL (CONTINUED)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The Agency assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Schedule of the Agency's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System For the Last Five Years*

Required Supplementary Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Agency's proportion of the net pension liability	0.0026070%	0.0025940%	0.0024924%	0.0024394%	0.0025506%
Agency's proportionate share of the net pension liability	\$ 164,940	172,791	156,852	120,518	101,155
Agency's covered-employee payroll	\$ 196,721	195,895	193,626	178,859	167,121
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	83.84%	88.21%	81.01%	67.38%	60.53%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
14,924	14,904	14,135	10,625	10,628	9,951
<u>(14,924)</u>	<u>(14,904)</u>	<u>(14,135)</u>	<u>(10,625)</u>	<u>(10,628)</u>	<u>(9,951)</u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
167,121	166,901	163,033	171,689	171,586	159,849
8.93%	8.93%	8.67%	6.19%	6.19%	6.23%

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of a experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Required Supplementary Information - Pension Liability - Continued

Year ended June 30, 2019

Changes of assumptions - Continued:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Schedule 1

Statements of Operating Expenses
Years Ended June 30, 2019 and 2018

	2019	2018
Personnel expenses:		
Salaries and wages	\$ 196,468	203,998
Payroll taxes	14,309	15,814
IPERS	35,925	18,583
Retirement contributions	780	780
Group insurance	48,618	50,120
Workers' compensation insurance	13,840	21,089
Total personnel expenses	<u>309,940</u>	<u>310,384</u>
Equipment operation and property maintenance expenses:		
Fuel expense	56,779	74,758
Repairs and maintenance	320,327	84,214
Rock and road stone	2,968	7,341
Insurance	23,906	24,814
Leachate hauling/treatment	91,859	15,136
Recyclables expense, net	23,657	16,872
Household hazardous waste fees	47,413	44,836
Total equipment operation and property maintenance expenses	<u>566,909</u>	<u>267,971</u>
Depreciation	<u>348,172</u>	<u>346,497</u>
Planning and permits engineering	<u>63,475</u>	<u>53,367</u>
Iowa Department of Natural Resources tonnage fees	<u>158,253</u>	<u>146,929</u>
Closure and postclosure care	<u>521,838</u>	<u>99,092</u>
Office and general expenses:		
Utilities	12,238	8,521
Telephone	1,612	2,014
Office supplies	4,342	3,961
Travel	-	159
Advertising and printing	1,081	1,269
Property taxes	1,086	1,346
Professional fees	5,500	5,000
Total office and general expenses	<u>25,859</u>	<u>22,270</u>
Total expenses	<u>\$ 1,994,446</u>	<u>1,246,510</u>

See accompanying independent auditor's report.



Shull, Schrum, McClaflin
& Co., Inc.
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors of South Central Iowa Landfill Agency:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the South Central Iowa Landfill Agency as of and for the year ended June 30, 2019, and the related Notes to the Financial Statements, and have issued our report thereon dated March 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Central Iowa Landfill Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Central Iowa Landfill Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Central Iowa Landfill Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the South Central Iowa Landfill Agency's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in the South Central Iowa Landfill Agency's internal control described in the accompanying Schedule of Findings as items (2019-001) and (2019-002) to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Central Iowa Landfill Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings as item (2019-003).

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

South Central Iowa Landfill Agency's Responses to the Findings

The South Central Iowa Landfill Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The South Central Iowa Landfill Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the South Central Iowa Landfill Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Shull, Schrum, McClellan & Co., Inc.

March 9, 2020

SOUTH CENTRAL IOWA LANDFILL AGENCY
Schedule of Findings
Year ended June 30, 2019

Findings Related to the General Purpose Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties - (2019-001)

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Agency's financial statements.

Condition - Generally, one individual has control over the following areas for the Agency.

- (1) Accounting system - record keeping for revenues, expenses and related reporting.
- (2) Cash - initiating cash receipt/disbursement transactions and handling cash; recording and reconciling cash.
- (3) Investments - investing, detailed record keeping and reconciling earnings.
- (4) Disbursements - check preparation, recording and reconciling.
- (5) Receipts - collecting, depositing, journalizing and posting.
- (6) Payroll - changes to the master list, preparation and distribution.

Cause - The Agency has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the Agency's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The Agency should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff or Agency Board members to provide additional control through review of financial transactions, reconciliations and reports.

Response - Due to the limited number of office employees, segregation of duties is very difficult. However, we do have an Agency Board member review receipts, posting and payroll on a test basis.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Schedule of Findings - Continued
Year ended June 30, 2019

Findings Related to the General Purpose Financial Statements:

INTERNAL CONTROL DEFICIENCIES (CONTINUED):

(B) Financial Reporting - (2019-002)

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Agency's financial statements.

Condition - Material amounts of receivables, payables and capital asset additions were not properly recorded in the Agency's financial statements. Adjustments were subsequently made by the Agency to properly include these amounts in the financial statements.

Cause - Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and training to select and apply accounting principles and prepare financial statements including footnote disclosures. Management presently lacks the training to appropriately fulfill these responsibilities.

Effect - Lack of proper training in preparing financial statements resulted in Agency employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the Agency's financial statements were necessary.

Recommendation - This situation is very common in small entities. Obtaining additional knowledge through reading accounting literature or attending professional education courses should help management improve their ability to prepare and take responsibility for reliable financial statements prepared in accordance with generally accepted accounting principles.

Response - Due to the limited number of office employees and the time constraints placed on those employees to complete day to day operations of the landfill, it would be difficult to receive outside training. With the limited knowledge of office employees, reading the technical accounting literature would be difficult to understand.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Schedule of Findings - Continued
Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses - No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense - No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Board Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (4) Deposits and Investments - No instances of non-compliance with the Agency's investment policy were noted.
- (5) Solid Waste Tonnage Fees Retained - No instances of non-compliance with the solid waste fees used or retained in accordance with the provisions of Chapter 455B.310 of the Code of Iowa were noted.
- (6) Financial Assurance - The Agency has demonstrated financial assurance for closure and postclosure care as required by Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Original Landfill	Horizontal Expansion			
		Cells 1 & 2	Cell 3	Cell 4	Cell 5
Total estimated costs for closure and postclosure care	\$ 709,500	1,219,572	955,117	1,034,711	660,400
Less: Balance of funds held in the local dedicated fund at June 30, 2018	(709,500)	(1,219,572)	(955,117)	(282,262)	-
	\$ -	-	-	752,449	660,400
Divided by the number of years remaining in the pay-in period	-	-	-	8.8	8.8
Required payment into the local dedicated fund for the year ended June 30, 2018	\$ -	-	-	85,506	74,022
Balance of funds held in the local dedicated fund at June 30, 2018	718,500	1,219,572	955,117	282,262	-
Required balance of funds held in the local dedicated fund at June 30, 2019	\$ 709,500	1,219,572	955,117	220,917	74,022
Amount Agency has restricted for closure and postclosure care at June 30, 2019	\$ 709,500	1,219,572	955,117	482,487	74,022